

Message Text

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PAGE 01 OTTAWA 00525 261847Z

64

ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 L-03 SS-20 CIAE-00 DODE-00

INR-10 NSAE-00 PA-04 RSC-01 USIA-15 PRS-01 SPC-03

SAM-01 COME-00 DRC-01 /096 W

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FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 2784

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E.O. 11652: N/A

TAGS: BDIS, CA

SUBJECT: NORTHROP CORPORATION DISPUTE WITH GOC

REF: OTTAWA 2862, NOV. 30, 1973

1. GOC, THROUGH DEPT. OF SUPPLY AND SERVICE, ON NOV. 22 FILED STATEMENT OF DEFENSE AND \$26 MILLION COUNTERSUIT AGAINST NORTHROP CORP. FOR ALLEGED BREACH OF CONTRACT IN CONNECTION WITH PROVISION OF CF-5 AIRCRAFT FOR CANADIAN FORCES. STATEMENT AND COUNTER-SUIT, FILED AT OTTAWA, RELATE TO \$17.5 MILLION SUIT BROUGHT IN DECEMBER BY NORTHROP AGAINST GOC AT TORONTO.

2. ACCORDING TO PRESS ACCOUNTS, GOC DOCUMENTS DENY ALL ALLEGATIONS MADE BY NORTHROP AND SEEK \$15 MILLION IN COSTS FROM DELAYS IN PRODUCTION AT CANADAIR PLANT IN MONTREAL AND \$9 MILLION FOR LOSS OF REVENUE FROM FAILURE LIVE UP TO OFFSET ARRANGEMENTS MADE IN CONTRACT. GOC REPORTEDLY ALLEGES THAT DESIGN DATA PROVIDED BY NORTHROP WAS FURNISHED LATE AND WAS DEFECTIVE RESULTING IN ADDITIONAL MANUFACTURING COSTS.

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PAGE 02 OTTAWA 00525 261847Z

3. PRESS ALSO REPORTS THAT NORTHROP ISSUED STATEMENT

IN TORONTO DESCRIBING COUNTERCLAIM AS "AN EXPECTED RESPONSE" TO ITS ORIGINAL SUIT AND STATING THAT "NORTHROP CORP.'S LEGAL COUNSEL AND ITS CANADIAN TRIAL COUNSEL BELIEVE THE CANADIAN GOVERNMENT'S COUNTERCLAIM IS SUBSTANTIALLY WITHOUT FOUNDATION OR MERIT AND REPRESENTS NO FINANCIAL EXPOSURE FOR THE COMPANY." STATEMENT ALSO NOTED THAT GOC PROPOSED A PAYMENT OF APPROXIMATELY \$7.5 MILLION TO NORTHROP LAST OCTOBER, BEFORE THE CURRENT ACTION WAS FILED, TAKING INTO CONSIDERATION ALL ISSUES IN DISPUTE.

4. COPY BACKGROUND PAPER PREPARED BY DEPT. OF SUPPLY AND SERVICES TO ANSWER PRESS INQUIRIES BEING FORWARDED DEPARTMENT (EUR/CAN AND EB/CBA/BR).
JOHNSON

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Message Attributes

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Disposition Authority: morefirh
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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